

STABILITY UNDER STRESS: INVESTOR FLOWS IN GREEN BOND FUNDS

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Extended Abstract

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Abstract Summary

This paper studies whether green bond funds really behave as a homogeneous asset class during periods of market stress, and whether investors take into account differences across funds.

We first construct a fund-level measure of stability based on three dimensions: sensitivity, volatility, and resilience. Using this framework, we find that green bond funds differ substantially in their risk characteristics. Some funds remain relatively stable during stress periods, while others exhibit higher market exposure, higher volatility, and larger draw-downs.

We then turn to investor behavior and analyze fund flows. We test whether more stable funds receive more inflows during periods of high uncertainty, or whether investors simply allocate capital to green bond funds as a group.

Our results show that, although funds are clearly different in terms of stability, investor flows do not strongly reflect these differences. During periods of market stress, green bond funds receive inflows as a category, but these inflows are not systematically directed toward the more stable funds.

Overall, the findings suggest that the “green” label may attract capital during crises, while differences in underlying risk across funds are only weakly reflected in investor allocation.

Presenting Author Biography

Chen is a PhD candidate at the University of Groningen. Her research focuses on green finance, especially green bonds and investor behavior. Her current project studies whether green bond funds differ in their risk characteristics and whether investors respond to these differences.

Her work uses empirical methods such as GARCH models and panel data analysis.